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TAGS: ECON FAIR PREL AJ PGOV

SUBJECT: BOEING TO SELL FIVE AIRPLANES TO AZERBAIJAN

REF: BAKU 1127

Classified By: ADCM JOAN POLASCHIK, PER REASONS 1.4(B,D)

¶1. (C) SUMMARY: Azerbaijan's AZAL airlines has agreed to purchase five airplanes from Boeing. According to Boeing's Sales Director for Europe and Central Asia Serdar Gurz, the price is still to be negotiated, but a contract has been signed and both sides are seeking to have all details finalized by the end of 2006. AZAL's Director General told the Boeing representative that the Azerbaijan government's attitude towards Boeing and towards the US has improved markedly since President Aliyev's April visit to the US and meeting with President Bush, making this sale possible. END SUMMARY.

¶2. (C) On October 13 the Ambassador met with Boeing Sales Director for Europe and Central Asia Serdar Gurz. Gurz said that Jahangir Askerov, Director General of Azerbaijan's State Concern of Civil Aviation (and Director General of AZAL) had telephoned him on Labor Day, saying that Boeing would like to buy three 767's and two 737-900's. Gurz said that EXIM would be financing 85 percent of the purchase.

¶3. (C) Gurz said that according to Boeing sales procedure, upon hearing of Azerbaijan's interest in buying these planes, Boeing offered Azerbaijan a proposal at a quoted catalogue price, with a deadline acceptance of October 31. Gurz said that on October 12 Askerov accepted the proposal, and on October 13 would be paying a nominal fee of approximately USD 650 thousand dollars (USD 150,000 of which is already in Boeing accounts) to lock in the delivery date for the planes (approximately July-September 2009 for the three 767's, and approximately February-April 2010 for the two 737-900's) (COMMENT: In a subsequent telephone conversation on October 19, Gurz confirmed that Askerov had made this payment). Gurz said that he suspects that Azerbaijan will use one 767 as a VIP plane, since "everyone in the neighborhood" (i.e. Presidents of all the region's countries) has a VIP 767.

¶4. (C) Gurz, saying that "no one pays catalogue price," said Azerbaijan's payment of this proposal acceptance money locks in the planes' delivery date, but that he, along with a Boeing contract executive, will be coming to Baku on October 30 for initial negotiations with AZAL. These negotiations would include price and also the plane configuration, since each Boeing plane is individually configured per the client's wishes.

¶5. (C) Gurz said that Azerbaijan is hoping for the negotiations to be finished and the contract ready to be signed by the end of 2006, adding that this was a deadline

that Boeing would try to meet, but that it would be difficult. Gurz told the Ambassador that Askerov asked for a very public, high-profile signing of the contract with Boeing. The Ambassador suggested that the signing be done in conjunction with the planned January/February '07 Economic Partnership Commission (EPC) meeting in Baku, in the presence of a senior USG economic delegation, as a symbol of the growing commercial engagement between the two countries. Gurz was thrilled with the idea and was sure Askerov would be also. The Ambassador noted that if Washington concurs, she would schedule a meeting with Askerov to broach the idea with him.

¶6. (C) In this regard, Gurz said that Askerov's attitude concerning the US and US Embassy in Baku was significantly different than in their earlier meetings. Whereas previously Askerov had asked Gurz not to share any information with the Embassy, this time he emphasized that Gurz should definitely tell Embassy Baku the good news of the Boeing sales. Gurz said that Askerov had previously told him that "your country (i.e. the USG) doesn't value my President," but that Askerov's attitude had changed thoroughly since President Aliyev's April visit to the US and meeting with President Bush. Gurz added that the previous local Boeing representative had had bad relations with Askerov, which also impeded Boeing's effectiveness here (see Reftel).

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